

# **Agents & Brokers To Be Frozen Out Of California Health Insurance Exchange**

Nov. 1, 2011 -- Insurance agents and brokers are facing the reality of being frozen out of participation in California's new health insurance exchange, IBA West Legislative Advocate John Norwood told IBA West directors at its Fall Conference last week.

Norwood pointed to comments recently submitted by the California Health Insurance Exchange Board, the entity empowered by the Legislature and Governor to implement the Exchange, to federal regulators.

"These comments indicated that the Board envisioned no role for insurance producers in light of what is known as the navigator program," Norwood said.

Worse yet, the Exchange Board specifically cited a significant opportunity for adverse selection if insurance agents and broker are allowed to place their clients in the Exchange."

The California Health Benefits Exchange is the state entity authorized to implement the PPAA, Obamacare. The Exchange Board is in the process of constructing an individual exchange and a small group exchange.

The Board was created in October 2010 by legislation signed into law by Gov. Arnold Schwarzenegger. The Exchange Board consists of five members - two appointees of the governor, each with four-year terms; one each from the Senate Rules Committee and the Assembly Speaker, for a five-year term and two-year term, respectively; and one from the secretary of the state Health and Human Services Agency. The board was given broad powers by legislation to contract with insurance companies to offer certain plans within the Exchange.

The individual exchange is intended to be available to any person in order to provide coverage in response to the federal mandate that all individual purchase health care coverage. The small group exchange will be available for employers covering 2 to 50 employee, and perhaps employers up to 100 employees.

"Final decisions have yet to be made, however, there certainly seems to be an anti producer bias emanating from the board, "said IBA West General Counsel Steve Young. " In addition, comments from healthcare advocacy groups reflect this same bias."

A letter recently sent to the Exchange Board by Health Access -- a statewide health care advocacy coalition consisting of partners representing communities of color, immigrants, people with disabilities, children, seniors, labor and working

families -- endorsed the Board's proposed comments to the federal government that concluded allowing insurance agents and broker to place coverage in the Exchange will cause adverse selection and undermine the Exchange.

**"These comments indicated that the Board envisioned no role for insurance producers in light of what is known as the navigator program."**

The coalition based these comments in part on the fact that the producers obligation was to the insurer who compensates them, and not to their client. In addition, Health Access indicated their opposition to requiring navigators that are envisioned by the federal law to help facilitate enrollment from being required to be licensed as health insurance agents.

The PPAA provides that states may allow insurance producers to participate in the state exchanges. The law also provides for so called "navigators" that are yet to be defined by federal or state regulations that are to assist consumers in facilitating coverage. A navigator may be a local chamber of commerce, trade association or consumer advocacy group. One of the most challenging tasks ahead for the Exchange Board will be decide on the role of insurance producers.

California's only other experience with a health insurance exchange was HIPIC/ PacAdvantage. Initially HIPIC was not producer friendly and many commentators have theorized that it was its undoing. When PacAdvantage finally opened to insurance agents, it set records for accepting new business, according to John Grgurina, former President and now Chief Executive Officer of San Francisco Health Plan.

"This is what makes the Exchange's current thinking so frustrating," Norwood said. "Small employers want and need the assistance of producers, yet the Board and the health advocacy groups clearly do not understand that an adversary relationship between The Exchange and producers will not be a good thing for the potential success of the Exchange."